



# **Arkansas Teacher Retirement System**

## **Leasing and Property Management Services RFQ**

**Issued: August 31, 2010**

**Amended Due Date: October 15, 2010**

## Background

The Arkansas Teacher Retirement System ("ATRS" or "Owner") hereby issues a request for competitive proposals ("RFQ") from qualified professional real estate leasing and management companies (collectively "Bidders" and individually "Bidder") to lease, manage, operate, and maintain two office buildings in Nashville, TN. Such a firm will have national capabilities and experience in managing multi-tenant office facilities.

## Building Data

American Centers One & Two (the "Buildings") are adjacent multi-story, multi-tenant Class A office buildings and total 410,634 square feet ("SF") in net rentable area ("NRA") with approximately \$12 million in annual revenue. The buildings' construction consists of poured-in-place concrete, steel, solar glass panels, and polished granite. Both buildings are connected at the first floor lobby. The buildings have 1,201 parking spaces with 997 spaces in two parking garages and 204 spaces available via a surface parking lot. Approximately 14,034 SF is ground leased to Maggiano's Restaurant for a 14,347 SF restaurant completed in 2005.

	American Center One	American Center Two
Address	3100 West End Avenue Nashville, TN	3102 West End Avenue Nashville, TN
Location	West End/Belle Meade submarket	West End/Belle Meade submarket
Year built	1986	1998
Building description	Features 12 stories, 207,361 SF (NRA) with an attached garage; the floor plate size is approximately 16,500 SF	Features 11 stories, 207,361 SF (NRA) with an attached garage; the floor plate size is approximately 16,500 SF
Parking	259,159 SF garage	138,246 SF garage

## Minimum Qualifications

Applicants must meet the following minimum qualifications. If the minimum qualifications are not met, ATRS reserves the right to reject the applicant's proposal.

- Applicants must have either regional or national capabilities and experience in managing multi-tenant office facilities.
- Applicants must already have a Nashville market presence and lease substantial amounts of Class A office space in the Nashville area for at least the past 12 months.
- Applicants must have dedicated accounting staff able to produce reports and information that meet the requirements in Exhibit A.
- Applicants must have been in business for a minimum of five (5) years. If the firm has not been in business for at least five (5) years, the senior principals of the firm must have at least ten (10) years of management and leasing experience.
- Applicants must be able and have capacity to perform ALL of the leasing and property management services described herein. Utilization of subcontractors in the performance, delivery, and provision of services or products requested hereunder is permitted. **Please note that any**

**planned or proposed use of subcontractors by vendor must be clearly disclosed and documented in the proposal and agreed to by ATRS.** The applicant shall be completely responsible for all services performed and fulfillment of its obligations under the Contract, even if such services are delegated to a subcontractor.

### **Scope of Work**

The responsibilities related to the leasing and management of the Buildings include the following.

1. Using diligence and good faith in management and leasing of the Buildings.
2. Hiring, discharging and supervising all labor and employees for the maintenance and operation of the premise: it being agreed that all employees shall be employees of the Agent and shall be charged to the property for the actual and reasonably necessary time and associated expenses spent on the property.
3. Bonding all employees who handle and are responsible for Owner's monies.
4. Securing the approval of the Owner on all major changes in the policy.
5. Promptly notifying Owner, in writing, of any dangerous, defective, or other perilous conditions discovered on the property.
6. Ensuring the timely billing and collection of revenue, lease payments, escalations, deposit fees, concession income, and other revenue (such as late fees, damage charges, etc.). Providing strict accountability for all receipts and disbursements with respect to the operation of the Buildings. Insuring diligence in the collection of rent and the initiative of appropriate collection action as necessary. Providing to the Owner monthly accounts receivable aging reports reflecting the status of each individual rental account. Employing a delinquency reporting system to monitor timely receipt of lease and other revenue.
7. Holding separate all funds collected by the Agent for the Owner from Agent's own funds.
8. Providing full financial control, accountability, and reporting of the Buildings' related income and expenses (including capital expenses) on both an accrual and cash basis.
9. Providing financial statements by the 15th of each month. See Exhibit A for a list of required documents to be included in the financial statements.
10. Making contracts for gas, electricity, water, telephone, and such other services as the agent shall deem necessary.
11. Developing, managing, and monitoring a leasing and marketing plan (including a dedicated marketing staff).
12. Developing and recommending leasing parameters for the Buildings.
13. Conducting development and implementation of tenant retention programs.
14. Implementing a targeted cold-call program.
15. Administering all tenant leases and providing responsive tenant services. Verify that tenants are complying with all terms and conditions of the lease documents.
16. Leasing and marketing the Buildings to prospective tenants and their representatives.
17. Advertising the availability of the premises or parts thereof.
18. Displaying signs thereon.
19. Negotiating leases with Owner oversight.
20. Forwarding to Owner, all new and renewed leases for signature.

21. Collecting rents due or to become due and to issue receipts therefore.
22. Conferring with Owner in the event a lease is being considered for cancellation.
23. Canceling tenancies only with Owners approval.
24. Signing and serving in the name of the Owner such notices as are deemed necessary by the Agent.
25. Instituting and prosecuting actions, evicting tenants, and recovering possession with Owner's approval.
26. Suing in the name of the owner and recovering rents and other sums due.
27. Developing, managing, and monitoring annual operating and capital expenditure budgets, subject to Owner oversight.
28. Maintaining all physical areas within the Buildings to assure that high levels of cleanliness, state of repair, and aesthetic appeal are sustained.
29. Evaluating and controlling all factors relating to liability, life safety, security, and environmental issues.
30. Conducting a preventative maintenance program.
31. Operating and maintaining (or ensure tenant compliance with) all building Heater, Ventilating, and Air Conditioning Systems ("HVAC"), and all other Mechanical, Electrical, and Plumbing Systems ("MEP").
32. Supervising all contractors engage in providing routine or periodic services on behalf of the Buildings and administration of all service contracts; competitively bidding and negotiating contracts for those services as required.
33. Making, or causing to be made, and supervising such repairs, alterations (including tenant improvements and building improvement work), and decorations, if in the opinion of the Agent, such work is necessary to protect the property from damage or to maintain services to the tenants as are called for by the tenancy, subject to prior approval of Owner for amounts exceeding \$2,500.
34. Purchasing necessary supplies.
35. Outlining software application to be used in leasing, managing, operating, and maintaining the Buildings.
36. Overseeing and administering all easements and shared-use agreements.
37. Coordinating and communicating with Owner and Owner's representatives (i.e. consultants, auditors, tax advisors, legal counsel, etc.)

### **Requirements and Instructions for RFQ Response**

A cover letter shall be signed by the individual(s) who is (are) authorized to bind the respondent contractually. This letter shall contain a statement to the effect that the respondent is not currently under any investigation by any regulatory agency, state or federal, for any reason. The letter should identify your firm's competitive advantage(s), the specific team that will be working on the property, suggested compensation plan, and reasons why the respondent should be selected. The Bidders will certify that a finder's fee or finder's commission have NOT been paid nor shall be paid to any individual or organization resulting from the establishment of this investment management relationship with the Owner.

This RFQ specifies the information that the Bidders must submit in order for their proposals to be considered by the Owner. This RFQ has the following sections that must be fully completed.

- A. Questionnaire; and
- B. Fees and Expenses;

In addition, all Bidders may conduct an escorted, on-site inspection of the Buildings before submitting a proposal. Requests for clarification to the intent and content of the RFQ as well as inspection scheduling must be made to the following Contact Representative:

Jerry Meyer  
ATRS' Real Estate Investment Manager  
jerrym@artrs.gov and cc Bloomberg@artrs.gov

All proposals must be received no later than 4:00pm on **October 1st, 2010**. The preferred method to receive complete proposals is electronic copies via email to jerrym@artrs.gov and cc Bloomberg@artrs.gov. As an alternative to electronic copies, six (6) complete hard copy proposals may be sent to the following Contact Representative:

Jerry Meyer  
ATRS Real Estate Investment Manager  
1400 W. 3rd Street  
Little Rock, AR 72201

Offering or providing anything of value to the staff or members of the Board of Trustees of ATRS is inappropriate.

All responses received shall be subject to evaluation by a committee and, if advanced to the semifinalist shortlist, may involve telephonic and/or in-person committee interviews and possible on-site visits. The final evaluation and selection will be made by the Board of ATRS. The Owner reserves the right to amend any segment of the RFQ prior to the announcement of a successful contractor. In such an event, all responders will be afforded the opportunity to revise their proposal to accommodate the RFQ amendment. The Owner reserves the right to reject all responses. After the evaluation of the RFQs and approval, all respondents will be notified of the successful bid. The Owner will not pay for any information herein requested, nor is it liable for any costs incurred by the respondent. All proposals become the property of the Owner and will not be returned to the respondent. The Owner reserves the right to award this contract to the firms which will provide the best match to the requirements of the RFQ and property needs, which may not be the respondent offering the lowest fees.

Please note that submissions to this RFQ will become the property of the Owner. The Owner is a public entity subject to Arkansas laws, including, without limitation, the Arkansas Freedom of Information Act under Arkansas Code § 25-19-102 et. seq., and the Arkansas Public Meeting Law under Arkansas Code § 25-19-106 et. seq. Submissions to this RFQ may be subject to disclosure under these laws

Manager will acknowledge that it is a fiduciary under the contract and as a fiduciary shall perform its duties with the standard care, skill, prudence and diligence that apply to other reputable experts practicing in the property leasing and management field. This responsibility as a fiduciary shall apply only to those services that the selected Bidder provides pursuant to the contract.

The Owner may prepare the form of contract for negotiations with the selected Bidder. Please provide a copy of the form of the contract your firm desires to use. (Please attach and label "Attachment 1.") Also, describe any contract provisions, which are deemed critical in your potential relationship with the Owner.

Although the Owner may negotiate the terms of an agreement with the selected Bidder, the Owner may award the contract on the basis of initial proposals received, without discussions. Therefore, each initial proposal should contain the Bidder's best terms.

Please be aware that the Owner may object to a term or want to suggest alternative language or additional terms. As such, the Owner reserves the right to amend or reject the proposed contract when preparing the final form of the contract.

### **Important things to note**

1. During the bidding process, and unless otherwise directed by the Contact Representative, the Bidder shall direct all communications involving the Buildings, whether oral or written, solely to the Contact Representative and to no other employee or agent of the Owner or its representatives.
2. Bidders are required to not discuss this RFQ with any third parties, including the press and particularly tenants of the Buildings.
3. Unnecessarily elaborate brochures or other presentations beyond those sufficient to present a complete and effective response to this RFQ are not desired.
4. FAX proposals will not be considered. However, proposals may be modified by written or FAX notice, if that notice is received by the Submission Date.
5. Proposals may be withdrawn by written notice or telegram (including mailgram or FAX) received at any time before award. A Bidder or an authorized representative may withdraw proposals in person, if the representative's identity is made known and the representative signs a receipt for the proposal before award.
6. By submitting a proposal, the Bidder accepts the Owner's standard Property Leasing and Management Agreement unless specific exceptions are noted on the Bid Sheet Summary.
7. Owner may conduct interviews with one or more of the Bidders; Owner is under no obligation to interview any of the Bidders.
8. Bidder shall, if requested by the Owner, return all materials provided by the Owner.
9. Owner contemplates entering into the Property Leasing and Management Agreement for the Buildings with the successful Bidder, but reserves the right to enter into more than one Property Leasing and Management Agreement for the properties within the Buildings or separate property leasing and property management responsibilities for the Buildings.
10. The bidding process ends when (a) the Owner enters into the Property Leasing and Management Agreement for the Buildings, or (b) the Owner terminates the bidding process for any reason.
11. Owner is under no obligation to enter into the Property Leasing and Management Agreement with any of the Bidders.

## **QUESTIONNAIRE**

### **SECTION 1: BIDDER'S BACKGROUND AND CREDENTIALS**

**Contact Name:**

**Firm Name:**

**Primary Address:**

**Telephone:**

**Facsimile:**

**E-mail:**

**Web Address:**

**Firm Inception Date:**

**Other office locations:**

The proposal shall include in summary form, background information regarding the experience and capabilities of the Bidder. Include at a minimum the following:

1. Provide a brief history of Bidder's firm, including a description of how the firm has a regional or national platform and experience in Nashville, Tennessee.
2. Describe the experience that Bidder's firm has in the West End/Belle Meade submarket of Metropolitan Nashville.
3. Describe the current ownership structure and management structure.
4. Provide the names of individuals who own more than a 10% interest in Bidder's firm.
5. Provide an organizational chart depicting functional capabilities and hierarchy within Bidder's firm.
6. Provide sufficient financial data to ascertain financial health of Bidder.
7. Provide names of any affiliated companies and describe their affiliation.
8. Provide a description of the firm's policy with respect to potential conflicts if Bidder or affiliated company provides tenant representation services.
9. Provide policies and procedures for employee hiring, training, and professional development.
10. Please indicate the turnover of staff in the last three years.
11. List memberships in trade associations and professional accreditation and certifications.
12. Provide specific examples of current or prior experience within Bidder's organization in dealing with properties comparable to the Buildings (i.e. multi-tenant office facilities in Nashville, TN or similar markets).
13. List all assignments that have been gained or lost within the past 3 years in the Buildings' metropolitan statistical area.
14. Please provide a brief description of any past or pending regulatory action, litigation or other legal proceedings involving the firm or any registered employees and/or principals as defendants.
15. Please provide references, including clients, tenants, and business associates.
16. Will the firm utilize subcontractors in the performance, delivery, and provision of services or products requested hereunder? If so, please provide the following information for each subcontractor.

**Contact Name:**

**Firm Name:**

**Primary Address:**

**Telephone:**

**Facsimile:**

**E-mail:**

**Web Address:**

**Firm Inception Date:**

**Services to be Provided:**

**A brief history of subcontractor, including a description of how the firm has a regional or national platform and experience in Nashville, Tennessee:**

## **SECTION 2: LEASING AND MARKETING**

1. Include a staffing plan that describes the staff that the Bidder will employ to lease the Buildings.

<b>Title</b>	<b>Functional Description</b>	<b>Approximate Annual Salary*</b>	<b>Extent salary is passed through to Owner</b>	<b>Employee or Contracted Service</b>

\*Approximate annual salary should include payroll taxes, insurance, and benefits.

NOTE: Owner reserves the right to require (for purposes of continuity) that the successful Bidder retain any existing Buildings employee as Owner deems appropriate. In that event, Owner and Bidder will negotiate any adjustments affecting on-site salary levels and retention periods and adjust Bidder's fee (if applicable) accordingly.

2. Provide resumes of any key leasing personnel who will be assigned to the Buildings, including specific relative experience, total responsibilities of such personnel, current time allocation of such personnel, future commitment of such personnel, and specific buildings responsibilities of such personnel;
3. List the property assignments of Bidder's leasing personnel who will be directly involved with the Buildings.
4. What is the supervisory structure relative to the leasing staff? Please provide resumes of personnel who will be directly involved in supervision of the leasing staff for the Buildings.
5. Provide a summary of Bidder's relationship with the tenant community and the brokerage community.
6. Describe Bidder's market research capabilities.
7. Does Bidder have policies and procedures for leasing and marketing, tenant retention, and community relations?
8. How are Bidder's leasing agents kept accountable for compliance to policies and procedures?



9. Provide a description of leasing and marketing reporting capabilities, including recommended lease analysis methodology.
10. Please provide a current discussion of the West End/Belle Meade submarket which includes: inventory/absorption/vacancy rate, trends, new developments, and current market rents/typical lease deals.
11. Describe Bidder's perception of how the Buildings properties are currently positioned in the market and what changes Bidder would make to more positively position the Buildings properties.
12. Please provide a detailed marketing budget for the Buildings.
13. Provide a leasing and marketing plan for available space, including lease-up timing, pricing, concessions, and improvements.
14. Describe Bidder's strategy for lease renewals, managing the lease rollover schedule and marketing vacant space.

### **SECTION 3: PROPERTY MANAGEMENT SERVICES**

1. Include a staffing plan that describes the on-site and dedicated staff that the Bidder will employ to directly manage the Buildings.

Title	Functional Description	Approximate Annual Salary*	Extent salary is passed through to Owner	Employee or Contracted Service

\*Approximate annual salary should include payroll taxes, insurance, and benefits.

NOTE: Owner reserves the right to require (for purposes of continuity) that the successful Bidder retain any existing Buildings employee as Owner deems appropriate. In that event, Owner and Bidder will negotiate any adjustments affecting on-site salary levels and retention periods and adjust Bidder's fee (if applicable) accordingly.

2. Provide resumes of any key property management personnel who will be assigned to the Buildings, including specific relative experience, total responsibilities of such personnel, current time allocation of such personnel, future commitment of such personnel, and specific buildings responsibilities of such personnel.
3. List the property assignments of Bidder's property management personnel who will be directly involved with the Buildings.
4. What is the supervisory structure relative to the property management staff? Please provide resumes of personnel who will be directly involved in supervision of the leasing staff for the Buildings.
5. Does Bidder have policies and procedures for tenant services, property appearance, preventative

- maintenance, emergency action, procurement of services and supplies, and inventory control?
6. How are Bidder's property managers kept accountable for compliance to policies and procedures?
  7. Provide a summary of any special procedures/systems unique to Bidder which would be of direct benefit to either the Buildings or to the Owner in overseeing property operations.
  8. Describe Bidder's insight to building automated systems, particularly in relation to energy management.

#### **SECTION 4: ADMINISTRATIVE AND OPERATIONAL REPORTING**

Exhibit A describes the real estate reporting, financial control, and accounting requirements. All financial statements and reports required by Owner are to be prepared in accordance with generally accepted accounting principles on both an accrual and cash basis.

1. Describe Bidder's ability to comply with the above requirements.
2. Fully describe Bidder's accounting services and data processing capabilities and the policies and procedures that provide strong internal controls.
3. Does Bidder's firm conduct an internal audit of operations & accounting? How frequently?
4. Explain how Bidder assures quality client reporting. Describe Bidder's experience reporting to institutional owners.
5. Include a description of all financial and operational reports available to the Owner from Bidder.
6. Identify the primary personnel who will be responsible for the Buildings' financial reporting and cash management and include the individuals' background and qualifications.
7. Please attach sample monthly and quarterly reporting packages and label as "Attachment 2".

#### **SECTION 5: INSURANCE REQUIREMENTS**

1. Provide evidence of Bidder's ability to provide comprehensive insurance coverage on its operations, including:
  - a. Fidelity bond coverage as specified in the standard Property Leasing and Management Agreement
  - b. General liability
  - c. Umbrella and excess liability
  - d. Automobile coverage, and
  - e. Worker's compensation

#### **SECTION 6: BUILDING AND TENANT IMPROVEMENT WORK**

1. Include a description of Bidder's ability to provide services (including the degree to which Bidder can provide its own personnel or monitoring third-party activity) related to the construction of building and tenant improvements, including:
  - a. Space planning
  - b. Engineering
  - c. Construction management, and/or
  - d. Supervision
2. Detail the responsibilities of Bidder's construction services/engineering group

3. Detail the separation of responsibilities between the property manager and engineers from the construction services/engineering group.

#### **SECTION 7: CONFLICTS OF INTEREST**

1. Provide a listing of any interest that Bidder or any of its affiliates or employees or owners may have, directly or indirectly, in the Buildings or any other properties in the Buildings' market and identify all actual or perceived conflicts with specificity (An "interest" means any financial or proprietary interest, including without limitation, a fee simple or leasehold interest, or an interest as managing, leasing, or sales agent in the Buildings or any other property in the Buildings' market).
2. Disclose any actual or apparent conflict of interest that may exist between Bidder, any employee or owner of the Bidder (or any member of the immediate family of the employee or owner), any party that Bidder contemplates may provide services or materials to the Buildings if Bidder's proposal is selected, and any party having an interest (leasehold, ownership, listing, leasing, tenancy, or management) in the Buildings. If Bidder has indicated that a potential conflict may exist, Bidder shall disclose all information necessary to ascertain whether a conflict of interest does in fact exist and shall cooperate fully with the Owner in resolving the conflict expeditiously.
3. Provide a description of firm's policy with respect to potential conflicts or interest in managing assets for multiple clients.

#### **SECTION 8: IMPLEMENTATION**

1. Provide Bidder's plan for the orderly assumption of leasing and property management responsibilities for the Buildings.
2. List any specific, recommended changes, and/or improvements to the operation process of the Buildings.

### FEES AND EXPENSES

- A. **Annual Management Fee:** \$\_\_\_\_\_ or an amount equivalent to \_\_\_\_ percent of "Gross Rental Income" paid-out on a monthly basis.
- B. **Leasing Commissions:** Percentage of "Gross Base Rental Amount"\*\*\*  
Direct Lease or Lease with an outside broker  
(i) New Lease: \_\_\_\_ percent  
(ii) Expansion Lease: \_\_\_\_ percent  
(iii) Renewal Lease: \_\_\_\_ percent
- C. **Building Improvements Supervision Fee:\*\*\*** \$\_\_\_\_\_ or an amount equivalent to \_\_\_\_ percent of the actual building improvements cost incurred (a graduated percentage based on cost is acceptable).
- D. **Tenant Improvements Supervision Fee:\*\*\*** \$\_\_\_\_\_ or an amount equivalent to \_\_\_\_ percent of the actual tenant improvements cost incurred (a graduated percentage based on cost is acceptable).
- E. **Reimbursable Payroll Expense On-site or Off-site (if any) staff (for each Buildings property):**

<u>Title/Position</u>	<u>Annual Salary</u>	<u>Benefits</u>	<u>Payroll Tax</u>	<u>Annual Tax</u>	<u>Total</u>
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G. **Other Reimbursable Start-Up or Ongoing Expenses:** \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**H. Additional In-House Services which can be provided on an as-needed basis (i.e. engineering, construction, supervision):** \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_

\* "Gross Rental Income" for the purposes of computation of the Management Fee for the Buildings shall mean all rental, service and miscellaneous income derived from the Buildings exclusive of proceeds specifically set aside in the attached Property Leasing and Management Agreement.

\*\* "Gross Base Rental Amount" is defined in the attached Property Leasing and Management Agreement.

\*\*\* Owner reserves the right to have all construction supervision performed by another contractor.

**Exhibit A**  
**ATRS' Real Estate Reporting, Financial Control, and Accounting Requirements**

**Monthly Requirements\***

1. Executive Summary, including:
  - a. narrative explaining all variances that exceed budget by 10%,
  - b. narrative outlining the status of any major repairs or improvement projects in process,
  - c. narrative that identifies significant issues identified during site visits or tenant contracts, and
  - d. the calculation of any supervisory fees
2. Cash Variance Report
3. Standard financial statements\*\*, including:
  - e. Balance Sheet
  - f. Income Statement – Actual
  - g. Income Statement – Budget
4. Rent Roll
5. General Journal
6. General Ledger
7. Cash Receipts Journal/Ledger
8. Aged Receivables
9. Sales Journal
10. Check Register
11. Copies of Paid Invoices (In Order of Check Register)
12. Management Fee Invoice (detailing how calculations were made)
13. Purchase Journal
14. Cash Disbursements Journal
15. Aged Payables
16. Copies of Open Invoices
17. Bank Account Reconciliation
18. Bank Statement w/cleared checks
19. Security Deposit Record
20. Work Order Report (Service Report)
21. Prospect List

### **Annual Requirements\***

Once a year, an Inventory of Equipment/Furniture needs to be taken and reported to ATRS. This list should include all new equipment and a description of what and how any equipment was disposed.

- Annual operating and capital expenditure budgets
- Market overview - Description of the West End/Belle Meade submarket which includes:  
inventory/absorption/vacancy rate, trends, new developments, and current market rents/typical lease deals
- Marketing and leasing plan
  - Description of how the Buildings properties are currently positioned in the market and what changes should be made to more positively position the Buildings properties
  - Detailed marketing budget for the Buildings
  - Leasing and marketing plan for available space, including lease-up timing, pricing, concessions, and improvements
  - Strategy for lease renewals, managing the lease rollover schedule and marketing vacant space
- Leasing and Property Management Firm Information
  - List all assignments in the Buildings' metropolitan statistical area
  - Please provide a brief description of current or pending regulatory action, litigation or other legal proceedings involving the firm or any registered employees and/or principals as defendants
  - Provide evidence of ability to provide comprehensive insurance coverage on operations, including:
    - Fidelity bond coverage as specified in the standard Property Leasing and Management Agreement
    - General liability
    - Umbrella and excess liability
    - Automobile coverage, and
    - Worker's compensation

\* Both hard and electronic copies should be submitted to ATRS by applicable deadlines.

\*\* Financial statements should have the same July 1 fiscal year start date as ATRS.